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Letter dated 18 October 2000 from the Secretary-General addressed to the President of the Security Council

I have the honour to transmit to you herewith a letter dated 18 October 2000 from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina (see annex).

I should be grateful if you would bring this letter to the attention of the members of the Security Council.

(*Signed*) Kofi A. **Annan**

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Annex

Letter dated 18 October 2000 from the High Representative on the Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General

I have the honour to transmit to you the seventeenth report on the activities of the Office of the High Representative on the Implementation of the Peace Agreement on Bosnia and Herzegovina. I would appreciate your making this report available to the Security Council.

(*Signed*) Wolfgang **Petritsch**

Enclosure

Report by the High Representative for the Implementation of the Peace Agreement to the Secretary-General

Mid-April-beginning of October 2000

Pursuant to Security Council resolution 1031 (1995) of 15 December 1995, in which the Council requested the Secretary-General to submit reports from the High Representative in accordance with Annex 10 of the Peace Agreement and the Conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present the seventeenth report to the Council.

The report covers the activities of the Office of the High Representative and developments in Bosnia and Herzegovina during the period from the middle of April until the beginning of October 2000.

Summary

1. The Peace Implementation Council, which met at Brussels on 23 and 24 May 2000, set three key strategic targets concerning consolidation of Bosnia and Herzegovina State institutions, economic reform and refugee return.

2. A new Council of Ministers, including three new ministries, was established; the main Bosnia and Herzegovina State institutions are still dominated by ethnic rather than State interests.

3. Twenty-one public officials were dismissed for serious obstruction of the Peace Agreement.

4. The Constitutional Court announced its third partial decision on the Constituent Peoples' Case.

5. A single national passport was imposed owing to the inability of State institutions to reach a decision; first passports to be issued this autumn.

6. There was a high increase of returns to pre-war homes, even in areas previously considered dangerous.

7. Laws on state treasury and party financing were adopted, strengthening accountability at the State level.

8. A new Bosnia and Herzegovina-wide telephone numbering plan has been successfully implemented.

I POLITICAL

1. - Common institutions

a) The re-establishment of the BiH Council of Ministers

1. The strengthening of the state institutions of Bosnia and Herzegovina (BiH) was one of the key strategic targets set by the Peace Implementation Council that met in Brussels on 23-24 May, 2000. The preamble of the Brussels PIC Declaration stated that one of the main goals is "fostering functional and democratically accountable common institutions supported by an effective, merit-based civil service and a sound financial basis, based on the Rule of Law".

2. This statement was made precisely during the process of constituting one of the most relevant common institutions of this country, the Council of Ministers (CoM). Following the adoption of a new Law on the CoM on April 13, 2000, over two months elapsed before a new Chair and Ministers were approved by the House of Representatives of the BiH Parliamentary Assembly. The BiH House of Representatives rejected the initial nomination by the Presidency for Chair of the Council on May 17, 2000. Finally, on June 6, 2000, the BiH House of Representatives approved Spasoje Tusevljak as Chair. On June 22, 2000 the BiH House of Representatives approved the Ministers and Deputy Ministers nominated by the Chair.

3. Following its re-establishment, the CoM has met regularly. Three new Ministries have been established: the Ministry of the Treasury for the Institutions of BiH, the Ministry for European Integration and the Ministry for Human Rights and Refugees. Staffing of these new Ministries is well under way and provisions have been made in the state level budget to cover their initial financial needs. Since its re-establishment in June, the CoM has adopted proposed legislation related to the State Treasury, Travel Documents and Political Party Financing.

4. Overall progress, however, has remained slow. Frequent delays in decision-making have resulted in a serious backlog in terms of legislation that has to be adopted in accordance with the PIC work programme. As a result of CoM's irresolution, the work of the BiH Parliamentary Assembly is further hampered. Lack of commitment among politicians to strengthen the State continues to block the effective functioning of the common institutions.

5. While a State-level Civil Service law has yet to be adopted, I have insisted that the recruitment of new civil servants to the new Ministries be done in accordance with the principles of the said law. Civil servants must be employed from this point on through open public competition. The Ministry of European Integration has set a good example in this regard.

b) The BiH Presidency

6. The recent performance of the BiH Presidency has some constructive elements: it reached agreement on a number of important areas, including support to the State Border Service documents and financial plan, and transformation of the RTV. In addition, it ratified several agreements and treaties, and agreed on the Rule Book on Internal Organization of the Auditing office for the BiH Institutions. There has been little or no progress in other areas. The Presidency Secretariat has still not been fully established as was called for in the New York Declaration last year because adequate funding is missing. In addition, I am not satisfied with the method

by which the staff of the Secretariat was recruited and I continue demanding full adoption of the principles set out in the draft Civil Service law.

7. The important decisions continue to require the constant application of pressure from the international community. This is due to the lack of dialogue and constructive engagement in decision-making among the three Presidency members. Unfortunately, they act and take decisions following strict ethnic lines, paying very little attention to the real problems that their country suffers. An example of this attitude was the discussion on the nomination of the Chair for the Council of Ministers, which took nearly two months. During the whole process, the Bosniac and the Croat members of the Presidency did not object to the poor merits of the candidate proposed by the Serb member but rather gave their consent. The reason behind this irresponsible behavior was that, according to the principle of ethnic rotation, the selection of the candidate corresponded to the Serb member of the Presidency. In the first instance, they selected a candidate who, in my opinion, was not acceptable to represent the interests of all BiH citizens. After strong pressure from the International Community and hard effort of my Office, they agreed to withdraw their decision and nominate another candidate.

8. At the end of July the Chair of the Presidency Izetbegovic announced his resignation, to take effect on 12 October, 2000 when his term as the Chair comes to an end.

c) The BiH Parliamentary Assembly

9. The Parliamentary Assembly has recently adopted its Work Plan for the year 2000. Furthermore it has adopted the Laws on Party Financing and on the Council of Ministers. The Law on Succession to the BiH Presidency was adopted in July. However, the Law was in contradiction with the principles of the Constitution and the most basic standards of transparency and democratic accountability. Therefore I decided to impose amendments to some of its provisions, so that some of the most important institutions of BiH, the Presidency and the Parliamentary Assembly, serve the real interests of the citizens in line with the Constitution and not those of the ruling nationalistic elite. After the summer recess the Parliamentary Assembly adopted the Law on State Treasury but failed to adopt the Law on Amendments to the Law on Travel Documents. I therefore decided to impose the legislation that will provide all citizens of BiH with a single national passport.

d) The Constitutional Court

10. The decision of the BiH Constitutional Court (CC) on the Constituent Peoples' Case, was given on 1 July, 2000. This decision has been one of the most debated - and sometimes contested- juridical and political issues during the past summer. The reasoning was not published until 14 September, 2000. Basically it rules that no ethnic group constituent on the territory of BiH shall be excluded from exercising its rights in the Entities.

11. The reactions to the ruling have been intense and diverse: in the Republika Srpska (RS), with very few exceptions, the reaction has been negative. The political class there contends that the decision is politically motivated and has been adopted within the BiH CC by the Bosniac and international judges outvoting their Serb and Croat colleagues. In the Federation, the decision has been welcome by most political parties, although it is still to be seen how some nationalistic parties will react when it comes to the actual adoption of amendments to the Federation Constitution. I have made clear to the political class of BiH that, however their personal opinions, the rule

of law and the respect to the BiH CC's authority must prevail. The implementation of the constitutional changes is not subject to negotiation.

2. - Election issues

a) Election Law

12. The BiH House of Representatives and the CoM have launched a joint initiative to establish a working group to overcome the differences related to the adoption of an Election Law. I hope that this initiative will lead to the adoption of an Election Law that truly promotes democracy.

13. I cannot emphasize strongly enough that any Election Law adopted by the BiH Parliamentary Assembly must establish the principles for all levels of elections in BiH. In addition, I have reiterated the importance of taking into consideration the critical reforms and elements introduced in the draft Law prepared by the Permanent Election Law Working Group. These reforms meet the requirements clearly set out in the 1998 Madrid PIC Declaration, and were as such approved by the Steering Board of the PIC on 20 October 1999. Furthermore, the Election Law presented must also take into account final and binding decisions of the CC, especially the decision related to the Constituent Peoples' Case, which requires the Entities to amend their Constitutions. I have urged the Parliamentary Working Group to bear all these points in mind.

14. An Election Law that failed to meet the above mentioned standards -including taking into account the decision on the Constituent Peoples' Case- would hinder this country's democratization and political stabilization and its integration into European structures.

b) April Municipal Elections and November General Elections

15. In the April municipal elections, the multi-ethnic Social Democratic Party (SDP) gained significant ground against the main Bosniac nationalist party, the Party of Democratic Action (SDA) in the Bosniac-majority areas of the Federation. The main BiH Croat party, the nationalist Croat Democratic Community (HDZ) retained most of its municipal seats, although the number of votes it received decreased dramatically. In the RS, the results were mixed: the nationalist Serb Democratic Party (SDS) retained most of the municipalities it controlled, while the moderate forces made limited advances, most of them attributable to Prime Minister Dodik's Independent Social Democrats (SNSD). However a new party successfully made its appearance: the Party of Democratic Progress (PDP), thus creating a somewhat more pluralistic party spectrum in the RS.

16. For the November general elections, it is hoped that multi-ethnic or at least moderate parties will continue their advances.

3. - Removals

17. During this reporting period, I dismissed twenty-one public officials for serious and persistent obstruction of the Dayton-Paris Peace Accords. As to nineteen cases out of the twenty-one, I signed the decision jointly with the OSCE Head of Mission; these officials are also barred by the Provisional Election Commission from holding any public elected and appointed office. All these decisions of removal received widespread public support. My office always screens the successors of those dismissed before they are officially appointed.

4. - Civil Information Management and Documents

18. My Office has made concrete steps forward in strengthening the State-level control of basic civil information management in BiH. On June 28, 2000, the Central Registry of Passports was established in the BiH Ministry of Civil Affairs and Communications (MCAC) representing the first critical step in establishing a secure regime for the control and issuance of international travel documents. OHR has also been instrumental in assisting the MCAC in the design, specification and source selection for the manufacture of the Single National Passport, as per the New York Declaration. On 29 September, as I mentioned before, I used my authority to impose the Single National Passport after the BiH House of Representatives failed to adopt the necessary amendments. Diplomatic passports will be available on 20 October and citizens' passports will be available on 30 November.

19. In addition, legal working groups formed by representatives from various Ministries in BiH, assisted by the OHR, were established to finalize the draft laws on Identification Cards, Unique Citizen Number, and Residency. This package of three state-level laws are now in the hands of MCAC for procedure and shall provide the legal foundation for the forthcoming implementation of the Central Citizen Registry and the BiH Citizen Identity Card.

20. This joint MCAC/entity Ministry of Interior working group, again with OHR assistance, is currently drafting state-level laws on data protection and mandatory data exchange as part of an intensive effort to create appropriate protections for the first post-war citizens register.

5. – The Entities and the Brcko District.

a) Republika Srpska

21. The recent months in the Republika Srpska were a period of deteriorating political climate, almost short of collapse, with indications that Belgrade played a significant role. This permanent crisis required frequent interventions by my Office to make sure that the entity parliament passed important legislation and to provide visible support for the Sloga-based Government.

22. With the growing economic problems in the entity, the cleavage among, and within, the Sloga parties, after the municipal elections, resulted in splitting within two of the three coalition partners (the SNS of Mrs. Plavsic and the Mr. Radisic SPRS). While Mrs. Plavsic and her loyalists decided to stay with Sloga, Radisic and his supporters left it. These defections created a new situation in the RS as Sloga was now unable to prevent the most radical nationalist parties - SDS and SRS and their new allies from splinter SNS and SPRS - to challenge the Dodik government in the RS parliament. On 7 September Prime Minister Dodik lost a confidence vote. I urged the Government to stay in office until the forthcoming elections.

b) Federation:

- Mostar

23. Since my last report the situation in the City of Mostar and the Herzegovina-Neretva Canton has improved considerably. This progress has been achieved mainly due to the new positive approach by certain local authorities to work together. This movement, lead by Deputy Mayor Tomic (Croat) with the assistance of

Mayor Orucevic (Bosniac), and by some Cantonal officials, has resolved issues in this short period of time which have been plaguing the Canton, especially the City of Mostar, for the past three years. Namely, the unification of the City Administration, the Cantonal Judicial System, the Cantonal Ministry of Interior and public utilities companies, as well as the adoption of the necessary legislation at Cantonal and City levels have effectively dismantled in various areas the parallel structures that existed since the war period. The basis for a final unification of Mostar has been planted.

24. However, although this new attitude of the local authorities has improved the overall climate of the city, there remains a lot of progress to be made. Very small improvements have been seen with regard to property law implementation, which stands at the lowest implementation rate in all of BiH (at 1%). There is active resistance by political hard-line elements at the municipal level as well as at organisations such as HVIDRA (Croat War Veterans' Association). Consequently, my office has submitted to the new prosecutors files for the criminal prosecution of those local authorities who have been obstructing the process and are negligent in their duties, as the Federal Criminal Code stipulates.

- Una-Sana Canton

25. One example of reinforced IC cooperation is the joint (OHR/ UN/ OSCE/ UNHCR/ SFOR) Strategy/Action Plan for the northwestern Una-Sana Canton (capital, Bihac), which has been adopted on 12 June, 2000. Taking into consideration the IC's main strategic targets as recently affirmed by the PIC at its May 2000 meeting, the plan mainly aims at diminishing the influence of the nationalist war-time establishments and elements, encourage fight against corruption and organized crime and foster reconciliation, economic reform, rule of law and democracy in this Canton. If successfully implemented, this Canton could set a precedent for the rest of the country. Its implementation, which is closely being monitored by my Office, is underway.

c) Brcko

26. The implementation of the Brcko District is proceeding well:

- The multi-ethnic government and Assembly are in place and fully operational.
- The Assembly has already adopted 10 District laws (Police, Executive Authority, Official Gazette, Rules of Procedure of the Assembly, Administrative Procedures, Banks, Courts, Judicial Commission, Prosecutor's Office, and Administrative Disputes) and a number of others is being prepared, mainly related to issues such as concessions, privatization tax administration, District Revenue Agency (DRA), health care, land registry and disposition of use of abandoned property.
- The multi-ethnic police force is fully integrated and covering the entire territory of the Brcko District.
- A few steps forward have been achieved in the field of education. One primary school opened with multi-ethnic staff and pupils; it will serve as model for the rest of the District.
- Return is moving forward at a steady pace. Since April, it is estimated that the reinstatement of property reached a total of a little over 1300.
- Following the first inter-entity meeting organized and hosted by OHR with the participation of the Brcko District Government on 19 September, various working groups have been created to tackle the cooperation and participation of the entities' governments in the development of Brcko District on crucial issues such as Returns and Reconstruction, Revenues (including customs), Pensions, Health Care and other social programs, and Economic Development.

6. - BiH in the European integration processes

27. Like other countries in south-eastern Europe, BiH is striving to find its place in the region and in the European structures. The changes in Croatia and - just now - in the FRY present a real prospect for regional peace and stabilisation. Rapprochement within the framework of the Stability Pact and other regional groupings is one important means to realise this potential. Closer relations with the EU is equally critical to long-term peace and prosperity. My Office continues to contribute actively to the Stability Pact and encourage BiH to embrace the regional approach, in particular in the fields of return, economy, security cooperation and judicial reform.

28. My Office is also working closely with the European Union to BiH's progress towards eventual membership. The EU's "road map" is an important short-term benchmark for BiH to demonstrate its commitment to Europe. In this respect, the "roadmap" and the agenda of the PIC are complementary means to the same end: the end of setting BiH firmly on the path to European integration.

II ECONOMY

1. - General overview of the BiH economy

29. The state of the economy in BiH is still fragile; the last macro-economic trends give mixed signals. Preliminary data for the GDP growth state about 7.1% for BiH (8.6% real increase in the Federation, 4.6% in the RS) in 1999. The trade balance is still in a difficult situation –the preliminary data for the Federation shows that just 25% of imports (2,0 bio Convertible Marks or KM) are covered by exports (0,5 bio. KM) in the first half of 2000. RS has coverage of around 30% in the first quarter of 2000. Inflation is under control in the Federation (+ 1,3% up to July compared to average 1999) but RS inflation seems to remain high: the 15% increase in 1999 retail prices could be explained by the adjustment from the Yugoslav Dinar to the KM, but preliminary data up to July 2000 are still at a level of 11,4%. The foreign exchange assets of BiH are still increasing and reached 880 mio. KM according to the Central Bank Monthly Balance Sheet by end of June 2000, exceeding the monetary liabilities by 36 mio. KM.

30. From a macro-economic point of view, the year 2000 will be critical: the current account is very likely to worsen. If the external aid slows down, the financing of the economy will be at risk. So far, the privatization process has hardly attracted significant foreign interest and financial flows. A key to medium term re-balancing of the economy is to foster private investment to replace external aid: by the end of 2000, enough reforms must be completed to attract investors in BiH in order to avoid a deep financing crisis.

2. – The May Brussels PIC and its economic goals

31. The PIC meeting in Brussels put economic reform at the center of the strategy of the IC for BiH, the objective being to deepen economic reform and create the conditions for self-sustaining market-driven economic growth, in order to avoid an economic crisis as BiH makes the transition from a donor dependent economy. This strategy is articulated along three main lines:

- Creating a single economic space
- Enabling private sector growth
- Fostering privatisations

a) Single economic space

32. In order to create a single economic space, significant steps have been taken, which either have been completed or most likely will be completed before the end of the year. I would like to highlight some of them:

- An agreed draft Law on BiH Chamber of Commerce is ready for parliamentary procedure.
- A draft Law on Statistics, prepared by the BiH Statistics Agency under the EUROSTAT guidance and in close cooperation with the IC, is ready for parliamentary procedure.
- Banks from one Entity can open branches in the other without having to satisfy capital requirements requested from foreign banks, as was the case. Micro-enterprise Bank is the first to have benefited by this new opportunity.
- Tax harmonisation is still going on and a working group has been established to review double taxation cases.
- The State Treasury Law has been approved. The BiH Treasury is already being set up. The nomination of Supreme Auditors is underway.

b) Private sector growth

33. Several new law initiatives have been started to create a more favorable environment for enterprises in BiH. Clear ownership titles form the base for any market economy. A working group on a new law on land registry and cadaster, attended by both Entities, has discussed the draft and will be preparing now the necessary by-laws by end of the year. Further progress was achieved in preparing a full set of laws in the area of standardization, metrology and intellectual property – country-wide recognized standards are the precondition for exports of processed products to the world markets. A new obligation law project was started in August and the final draft should be ready by mid-2001.

c) Privatisation

34. Tender regulations meeting international standards have been approved. 86 companies in the Federation and 52 in the RS have been selected to be tendered with the assistance of international advisors.

35. Bank Privatization and Reform: The International Advisory Group for banking sector issues, formed in November 1999, primarily focused on a unified approach to bank privatization and reform, effective regulation and supervision and deposit insurance. On May 23, I issued a decision simultaneously amending banking laws in both Entities, providing protection for bank supervisors, examiners and officials of the banking agencies from personal liability arising from the normal performance of their duties.

36. The Federation has amended the Law on Deposit Insurance in April, providing the proper legal framework for setting up a system improving the security for deposits. RS should harmonize its Law on Deposit Insurance in the next months. The IC is ready to provide considerable funds and technical assistance for the Deposit Insurance.

3. - Other economic issues

37. There are other issues that are crucial to the stabilisation and development of the BiH economy and society:

a) Public Utilities and Implementation of Annex 9

38. The Entity governments, which created in March the new, Annex 9 based, joint BiH Road Infrastructure Public Corporation (BRIC) with seat in Banja Luka, have made further progress in mobilizing the new institution. They established the required 12-member Board of Directors, appointed the Management Board and start operation in fall. The Commission on Public Corporations (CPC) has recommended establishment of three further joint public corporations for natural gas transmission, broadcasting transmission infrastructure (TRANSCO) and power transmission. Additional proposals under investigation include posts, ports and waterways.

39. Energy Sector: Electricity: Creating a viable power sector in BiH will depend on successful implementation of market-oriented reform, including unbundling, privatization, establishment of modern regulatory frameworks and institutions and on creating a common market for electricity in BiH. These requirements became particularly evident during negotiations for the 3rd WB Power Rehabilitation Project (value approx. $US230 million). My Office, in cooperation with the WB and other international agencies, has been developing and promoting a package of measures that include: creation of an independent regulatory commission for the energy market, open privatization process that will attract an optimum number of foreign investors and establishment of a joint, high-voltage transmission company.

40. Telecommunications: The new Telephone Numbering Plan for BiH has been successfully implemented and inter-connection agreements have been signed. A new policy for the BiH telecommunications sector was developed with EBRD assistance which will provide guidance for the activities of the Telecommunication Regulatory Authority (TRA). It foresees liberalization of the BiH telecom market, except for international telephone services, to be implemented by December 2000. Major measures to strengthen the role and capability of the TRA have also been underway.

b) Health issues

41. With the appearance of an epidemic level of Q fever and brucellosis both in human and animals in BiH, in the absence of reaction from local authorities or some international organizations, OHR took the lead in organizing two meetings of relevant international and local agencies to develop a plan to deal with the situation. The European Commission decided to grant a credit of 10 MEuro for this purpose. The US Center for Disease Control sent a team to BiH to evaluate the extent of the epidemics and suggest some ways of action. OHR continues to lead in the control plans for the growing epidemic.

c) Restitution

42. On 28 June, 2000 I annulled the RS Law on Restitution because the RS lacked funds to implement the law. OHR has discussed the Entities' restitution programmes with local authorities, the country's religious leaders and international organisations and embassies. If BiH were to engage in restitution, the restitution programme must be nondiscriminatory, fiscally sound and not detrimental to the country's already fragile economy.

43. In order to reduce the risks for domestic and foreign direct investors participating in privatisation and to remove a fundamental obstacle to economic growth, I issued a decision protecting buyers of privatised assets from restitutions in kind without preventing claimants for seeking legal recourse.

III RETURN

44. Roughly 29,703 minority returns have been registered up until 31 August, 2000 according to UNHCR. This is over double the number of returns during the same period of 1999. In reality the number of returns is even greater than the registered figures show, as indicative of the growing number of people who are taking charge of their own destinies and refusing to wait any longer to return home. Few if no areas in BiH can now be deemed inaccessible due to security considerations and local police now play the key role in ensuring the security of minority returns. The strongest trend emerging in this period has been the establishment of tent settlements prior to repossession or reconstruction of property, for example Tjentiste, near Foca in South-Eastern RS, and while this is positive it is also a challenge as RRTF works with donors and local authorities to direct limited resources to these spontaneous returns. Some areas have seen a high level of tension, notably Kopaci near Srpsko Gorazde (South-Eastern RS) and Janja near Bijeljina (North-Eastern RS), both areas of Bosniac return to areas of current Serb majority, but these are limited and reflect unusually intransigent local positions within a larger pattern of progress.

45. Other considerations related to return, such as documentation, employment, education, pensions and access to utilities, remain a problem in many areas, and my office is working closely on the equality of citizens rights in these areas. RRTF and the Economic Task Force are working to develop economic opportunities to ensure sustainability of returns.

46. Refugee return in BiH is directly affected by return movements in Croatia and the Federal Republic of Yugoslavia (FRY). In particular, the presence of some 35,000 Croatian Serbs in the western RS creates a serious obstacle to minority return to that entity. The expected momentum in cross-border movements created by the election of a new government in Croatia has not materialized yet. Despite some small progress on the freedom of cross-border movement, the procedures for return and repossession of property in Croatia remain cumbersome. The Croatian consulates in BiH need also to provide full consular services to Croatian Serb refugees. If progress is not made on these issues, few Croatian Serbs in BiH will apply for return.

IV PROPERTY

47. The Property Law Implementation Plan (PLIP) launched on 27 October 1999, with the imposition of harmonized property legislation in both entities, has begun to make steady progress. The rate of implementation of applications for repossession of property has increased in the Federation to 21 percent of claims, and 9 percent of claims in the RS. However, the overall rate of implementation remains unacceptably low as local officials fail to take ownership of the repossession process. Progress in the Eastern RS and Croat-controlled municipalities of Herzegovina remains dismal. Cantons 1 and 6 have the highest rates of implementation. The primary impediment to increased implementation of property legislation remains political obstruction in the forms of active obstruction (cancellation of evictions, failure to follow administrative procedures, failure to solve double occupancy cases, harassment of claimants, instigation of violent incidents) and passive obstruction (failure to provide adequate

staffing/funding resources to housing offices, failure to secure alternative accommodation).

48. Most progress on implementation of property laws continues to be a result of increased IC coordination and action. Return and repossession of property are slowly becoming an administrative, rather than political, process. Yet local authorities in most cases continue to remain reluctant to implement evictions and take other difficult steps. Ordinary citizens, though, in part due to intensive information efforts on the part of the RRTF, are developing a greater respect for the rule of law, and have begun in some cases to vacate contested property before being issued an eviction order. OHR, along with UNHCR, OSCE, UNMIBH and CRPC are working to ensure that elected officials, police officers and civil servants follow suit.

V EDUCATION

49. The inter-entity Education Agreement of 10 May, 2000 is a blueprint for the gradual reform and modernization of the education scene in BiH, and will eventually pave the way to a joint core curriculum leaving ample space for the expression of the specific identities of the three constituent peoples. Deadlines for implementation of Phase II of the textbook review, production and introduction of the supplemental annexes (to the textbooks imported from FRY and Croatia) and mutual recognition of school certificates and records, as well as the professional qualifications of teachers and teacher trainers, coincide with the beginning of this school year, or the end of December 2000.

50. Other measures of the agreement will be introduced gradually: teaching of the second alphabet is to start in the second semester of the second grade of primary schools in RS and the Federation, a new course on Human Rights and Civic Education is to be introduced in both entities by the beginning of the 2001/2 school year and teachers from the other national communities are to be hired throughout the country as soon as possible.

51. In the Federation, ad hoc agreements have been brokered in a number of areas whereby Croat and Bosniac pupils share existing school facilities thus making further integration steps possible. Canton 6 authorities have issued a cantonal directive in order to generalize the implementation of such interim agreements.

52. The reform of higher education is now engaged partially through the work of the Higher Education Coordination Board; priorities include the preparation of a new legislative framework based on European standards, sector-wide strategic planning, institutional capacity building, recognition activities, quality assurance, improved financial management and administration.

VI MEDIA

53. Efforts to reform the public broadcasting sector have produced encouraging progress. There is now unprecedented cooperation between the Entity broadcasters, multi-ethnic editorial staff are being recruited and the foundation has been laid for the establishment of a countrywide Transmission Infrastructure Company. Since June, BiH is represented by the multi-ethnic Public Broadcasting Service (PBS) in the European Broadcasting Union. The Founding Board of PBS has launched regular countrywide broadcasting of international football matches in cooperation with the Entity broadcasters. In September, the embryonic PBS successfully broadcast the Sydney Olympic Games to the whole country using staff from the Banja Luka-based RT RS and Sarajevo-based RTVBiH stations. This is the first time since before the

war that all three ethnicities have conducted such an endeavour. PBS is now planning similar joint state-wide coverage of the pre-election campaign.

54. The International Transfer Agent has conducted an extensive study of the public broadcasting sector and will issue his decision on the allocation of property from the outgoing RTV BiH in October. The decision will provide the conditions for PBS and the Entity broadcasters to operate in a manner that is financially realistic, publicly accountable and in accordance with best international practice. The Transfer Agent has created an Interim Transmission Agency (ITA) for BiH that gathers all transmission infrastructure in one organization while Entity broadcasters continue to maintain the sites. The formation of the ITA represents the first step towards the creation of a Transmission Infrastructure Company. A significant number of foreign investors responded to a public call for interest issued by the ITA.

55. Given the failure of the RS Government and National Assembly to adopt adequate public broadcasting legislation that meets the highest international standards, I delivered a decision designed to move the legislative process forward. A new, more diverse Board of Governors for Radio-Television RS (RTRS) was appointed in July and assigned the task of promptly preparing a draft law on public broadcasting for the Entity. The RS Government has pledged to fulfill its financial obligations to RTRS and to create a new subscription fee arrangement that eliminates excessive service charges. However, the financial situation in RT RS remains critical with little concrete action by the RS authorities to alleviate the situation.

56. A draft Freedom of Information Law, prepared by an expert group in coordination with the OSCE and OHR, was released to the public in June and presented at conferences in both Entities. The draft law has been adopted for discussion in both houses of the BiH Parliament. Similar draft laws have been presented to the Entity governments and the OHR and OSCE hope that the Entity parliaments will begin debate on the law promptly. An expert group, including international and BiH lawyers, has begun preparing a draft Defamation Law that will be presented to the parliaments later this year. I view both laws as crucial to ensuring that citizens enjoy their constitutional right to Freedom of Expression and that elected representatives and governmental agencies are held accountable.

57. The Independent Media Commission (IMC) has worked in accordance with the request of the PIC to "evolve" into a Telecommunications Regulatory Agency of BiH. From June 1, 2000, all IMC Heads of Department posts are held by BiH nationals. The number of remaining international members of IMC has been reduced from six to three and they have shifted to advisory roles. The IMC is preparing to issue long-term licenses that will require broadcasters to meet relevant international norms. In close consultation with Entity authorities and the Telecommunication Regulatory Agency, the IMC is working to ensure development of a fully coordinated frequency plan. IMC has assisted with efforts to develop a Transmission Infrastructure Company and holds a seat on the Board of the ITA. The IMC has worked to ensure better population coverage for the national broadcasters, launched the Advertising and Sponsorship Code and helped BiH journalist organizations in the establishment of a BiH Press Council.

VII JUDICIAL REFORM AND HUMAN RIGHTS INSTITUTIONS

1. - Judicial Reform

58. In the RS, the High Judicial Council and the High Prosecutorial Council established pursuant to the recently adopted RS Law on Courts and Court Service and Law on Public Prosecutors Office have begun their work in earnest. These councils provide for a non-politicized mechanism for the appointment, discipline and dismissal of judges and prosecutors. Under an 18 months period of "extraordinary review" the councils will scrutinize all sitting judges and prosecutors to make sure they meet basic standards of education and training and have proven capable of independently and impartially performing their functions. To ensure that the structures and principles provided for in the judicial service legislation are properly implemented, the review is currently performed under international oversight by UNMIBH/JSAP. Under a similar legal structure, provided for in the imposed Federation Law on Judicial and Prosecutorial Service, the Federation and cantonal judicial commissions have commenced the processes of judicial review.

59. The Coordinating Board for education of judges and prosecutors has been established in order to draft the Law on judges and prosecutors Institute in both entities. The main role of the Institute would be to offer additional education to judges and prosecutors in RS and Federation as well as to lawyers that are preparing to pass the bar examination.

60. In order to provide a coherent, consolidated approach to the issues of judicial reform and the promotion of the Rule of Law, an Independent Judicial Commission (IJC) that will lead the implementation of judicial reform programs is currently being established. Among other things, the IJC will be the focal point for international assistance to judicial reform initiatives, assist in the identification and design of specific programs, monitor the status of the judicial system (including assuming responsibility for the supervision of the judicial councils and commissions), and support domestic training organizations. The IJC is attached to, but separate from, the OHR. It will operate independently on a day-to-day basis, reporting to me, and my Office will provide it with the means it needs to effectively execute its authorities and responsibilities. Key international organizations operating in BiH, among them UNMiBH, OSCE, and the Council of Europe have expressed their support for this initiative. Embassies have expressed interest in seconding staff and otherwise supporting the organization. Recruitment of staff is commencing and is expected to be completed by December this year. The IJC will be operational from January 2001.

61. It is of great symbolical significance that the Herzegovina-Neretva Cantonal Court, with panels consisting of representatives of all three peoples presiding, has began to try war crimes cases on Bosnian soil. In a recent case, three Bosniacs (former members of the Armija BiH) charged for the July 1992 murders in Konjic of five Bosnian Serbs were found guilty of war crimes against civilians. Before commencing with the trial, the case had been reviewed by the ICTY Office of the Prosecutor, as required under the "Rules of the Road". In a currently pending war-crime case, the Court has issued bills of indictment against 5 Croats. At present time, three out of five have surrendered voluntarily.

2. - Human Rights Institutions

62. The three RS Ombudsmen have been appointed and have taken up their duties in Banja Luka.

63. Over one year after the deadline for implementation of the Human Rights Chamber decision regarding the reconstruction of mosques in Banja Luka, RS and city authorities continue to evade their responsibility and obstruct the issuance of reconstruction permits. I have intervened before the responsible RS authorities to ensure full compliance with the HR Chamber decision, which is one of the conditions for accession to the Council of Europe.

64. The Mostar "Liska Street" incident of February 1997, denounced by the Security Council, in which 20 persons were injured and one killed during a visit to a cemetery for Bajram, is now under criminal investigation by Mostar judicial authorities, pursuant to recommendations contained in a Special Report of the Ombudsman of BiH.

VIII Legal issues

65. My Office has continued to further institution building at state level. In co-operation with the Venice Commission a draft law has been prepared with a view to establishing a State Court. This law will fill the lacuna of judicial competence in civil and criminal law matters at the state level. A common working group composed of members of MCAC and of my Office will start as from the beginning of September 2000 to prepare a final draft which it is hoped will be adopted by the Parliamentary Assembly of BiH before the end of this year.

66. My Office has also taken the initiative, following the recommendation of the Venice Commission in favour of a merger of the Chamber of Human Rights and the Constitutional Court of BIH, to take the first steps with a view to implementing such merger.

67. The law on the Civil Service of BIH is in an advanced stage of drafting. This legislation once in force will constitute an essential step towards the establishment of a merit-based Civil Service.

68. A Political Party Financing Law was drafted within my Office and this law has been adopted by the BiH Assembly. The law is aimed at promoting transparency, openness and fairness in political life and at curbing levels of political corruption. The drafting of a Conflict of Interest Law is ongoing in collaboration with the OSCE. This proposed law will enshrine the best modern practice on ethics in public life.

69. The RS National Assembly recently passed amendments to the RS Citizenship Law, which is now fully in compliance with the BiH citizenship law. However the Federation has still not passed its citizenship law. That Law needs urgent approval as otherwise former SFRY citizens entitled to BiH citizenship as of January 1, 2000, cannot apply for and acquire BiH citizenship.

70. The draft RS Criminal Code was adopted at the 11th RSNA session and the draft Criminal Procedure Code is now being finalized.

IX MILITARY ISSUES

1. - Defence and Security Reform

71. There still remains an urgent need for Bosnia and Herzegovina to establish a state level security policy. The Presidents, at the 21st session of the Standing Committee on Military Matters (SCMM) on 17 May, 2000, mandated the Council of Ministers (CoM) to develop the security policy and the Defence Ministers' Working

Group to develop defence policy. Since May, the Group has developed an agreed synopsis, time line and work plan, with the aim of delivering a single defence document by the end of this year.

2. - Developing a state level Defence Institution

72. My Office is currently working on the development of the SCMM Secretariat in order to create a small coherent policy staff. This is the first step in what will be a lengthy process to develop a state dimension of defence.

3. - Re-structuring of Entity Armed Forces

73. SFOR continues to lead the work on re-structuring of the Entity Armed Forces (EAF) with a view to achieving the agreed (second) 15% reduction in EAF by the end of 2000. Once again, progress has been extremely slow and as a result, COMSFOR outlined his plans at the end of June to use the Joint Military Commission (JMC) to take re-structuring work forward.

4. - De-mining

74. The recent appointment of a Strategic Advisor to begin work on the evolution of the de-mining area should help not only to reassure donors that their contributions are being used effectively and efficiently, but also to combat corruption and provide the de-mining programme with a high level of integrity. I have requested the CoM to remove the three de-mining Commissioners, who were shown in the recent investigation by the World Bank to have varying degrees of "conflict of interests". New long-term structures are being developed under the political responsibility of the MCAC and if we are to restore donor confidence, we need to prove that these structures are both cost effective and transparent.

5. - Air Traffic Control Services

75. BiH still does not have a functioning civil aviation administration capable of discharging its international obligations and regulating safety and security of civil aviation. In a joint letter dated 12 July, 2000 that COMSFOR and I addressed to the BiH Council of Ministers (CoM), a number of specific deficiencies and major areas of concern were raised. We recommended the CoM dismiss the three directors General of the BiH Department of Civil Aviation (BHDCA) and this they did on 24 August, 2000. At the same time, the CoM established a Working Group for civil aviation which subsequently submitted an organizational structure and year 2000 budget for the BHDCA. The BHDCA was audited by the International Civil Aviation Organization (ICAO) in July and the results of this confidential audit report were extremely negative in respect of safety and efficiency. The civil aviation Working Group is currently working to develop an ICAO-required corrective action plan in response to this audit.